



**Financial Reporting Standards Committee**  
**Meeting summary – December 2005**

The Institute's Financial Reporting Standards Committee (Committee) met on 7 December 2005.

Members of the Committee present were: Messrs. Paul F. Winkelmann (Chairman), Raphael Ding (Deputy Chairman), Wilson Fung (Deputy Chairman), Chan Lok Sang, Tommy Fung, Paul Hebditch, Li Kwok Tso, Saleem Razvi, Tommy Tam, Stephen Taylor, Ms. Olivia Cheung, Ms. Susanna Lau and Mrs. Catherine Morley.

Secretariat staff present were: Mrs. Patricia McBride (Director, Standard Setting) and Ms. Elsa Ho (Assistant Director, Standard Setting)

The Committee discussed the following items:

1. The appropriate treatment for an owner used property in Hong Kong
2. *IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies*
3. First time Adoption of Hong Kong Financial Reporting Standards (consolidation of consequential amendments)
4. Consolidation – de facto control
5. CEO/CFO Luncheon
6. Proposed dates of the meetings in year 2006

1. The appropriate treatment for an owner used property in Hong Kong

The Committee considered issues arising in determining the appropriate treatment for an owner used property in Hong Kong, including:

- Whether a purchase of a Hong Kong property involves a lease of land and a lease of building or a lease of land and a purchase of building;
- Whether the methodology used by professional valuers in allocating the land and building components of a Hong Kong property would satisfy the requirement under HKAS 17 *Leases* to separate the land and building components based on their relative fair values;
- The appropriate treatment for a lease of land and a purchase of building in the case where the land and building components cannot be allocated reliably.

The Committee had a protracted discussion of the issues, with members expressing diverse views and requested the secretariat to further explore the issues.

2. *IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies*

The Committee noted that IFRIC had recently issued *IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies* and decided to adopt IFRIC 7 in Hong Kong without any modification.

Accordingly, the Committee agreed to recommend Council to approve the issue of the Hong Kong equivalent of IFRIC 7 as a final Interpretation with effect for annual periods beginning on or after 1 March 2006.

3. First time Adoption of Hong Kong Financial Reporting Standards (consolidation of consequential amendments)

The Committee noted that it has agreed to add in its work programme an update of HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards*. The Committee was asked to consider whether all the consequential amendments or only those that have been reflected in the IASB's 2005 Bound Volume of IFRS should be included in the revised HKFRS 1.

After deliberation, the Committee decided that the revised HKFRS 1 should reflect all the consequential amendments issued. The Committee however agreed that a paragraph should be included in the revised HKFRS 1 to specify the amendments resulting from which new or revised Standards, Interpretations and Amendments to Standards have been included in the revised HKFRS 1 in order to avoid any doubt.

4. Consolidation – de facto control

The Committee noted that the IASB made a statement in the October 2005 IASB Update outlining its views on de facto control. In particular, the IASB confirmed its view that an entity holding a minority interest can control another entity in the absence of any formal arrangements that would give it a majority of the voting rights. For example, control is achievable if the balance of holdings is widely dispersed and the other shareholders have not organised their interests in such a way that they are able to exercise more votes than the minority holders. This is sometimes referred to as "de facto control". The Committee decided to monitor the development at the IFRIC level.

5. CEO/CFO Luncheon

The Committee noted that the CEO/CFO Luncheon would be held on 11 January 2006 at Excelsior Hotel. Members were asked to publicize the event.

6. Proposed dates of the meetings in year 2006

The Committee agreed the following dates of the meetings in year 2006:

11 January  
15 February  
8 March  
12 April  
10 May  
14 June  
12 July  
13 September  
11 October  
8 November  
13 December

### Date of Next Meeting

The Committee agreed to hold its next meeting on 11 January 2006.

This meeting summary is provided for the information and convenience of those who wish to follow the Committee's deliberations. Except where indicated otherwise, all conclusions reported are tentative and may be changed at future meetings.

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The Committee welcomes comments on its technical agenda. Please e-mail us at: [commentletters@hki CPA.org.hk](mailto:commentletters@hki CPA.org.hk).

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